Analysis of Customer Perceived Value, Satisfaction, Loyalty and the Moderating Role of Customer Demographics: A Study of Indonesian Train Service

Yasintha Soelasih, Efendi and Erwin Bramana Karnadi

Faculty of Economics and Business, Atma Jaya Catholic University, Jakarta, Indonesia

Abstract: The growth in Indonesian rail transportation is rapid after some improvements were made. The momentum of this growth should be maintained by increasing customer satisfaction. This research focuses on executive trains. Under the framework of Customer Relationship Management, the researchers are interested to find out if customer perceived value of executive train affect customer satisfaction and loyalty using age, expense and education as moderators. The samples collected were474 through systematic random sampling. Samples were obtained in Gambir Train Station, Jakarta. Data was processed using SPSS mediation, moderation and process analysis. The results suggest that age and expense donot moderate the impact of customer perceived value and customer satisfaction on customer loyalty. Education can moderate customer satisfaction on loyalty.

1 INTRODUCTION

Delivering value has become the obligation of every business entity, either private or public. Value as being perceived by the customers has been seen as a multi-dimensional construct (Sheth, Newman and Gross, 1991; Yang et al., 2014; Sweeney and Soutar, 2001). The discussion on perceived value is rarely conducted in isolation. Perceived value will become a more interesting topic if discussed in relation with other marketing constructs, such as customer satisfaction and loyalty. Thereby, this study deals with the intricacy of how a business or industry develop a relationship with the customers (Customer Relationship Management).

Various studies have examined the links between quality, perceived value, satisfaction and loyalty (BoksbergerandMelsen, 2011; Lin et al., 2005; Gallarza, Ruiz-Molina and Gil-Saura, 2016). Compared to service quality, perceived value and satisfaction are considered more direct determinants of customer loyalty (Anderson and Sullivan, 1993; Sweeney, Soutar and Johnson, 1999; McDougall and Levesque, 2000; Dolarslan, 2014). However, the literature has not found common ground, as some researchers found that customer satisfaction does not always affect customer loyalty (Kumar,Pozza and Ganesh,2013). In addition, as perceived value is seen as a central construct in customer decision making (Bolton and Drew, 1991; Heskett, Sasser and Hart, 1990; Zeithaml, 1988), more studies on it and its link with satisfaction and loyalty are warranted.

Furthermore, the relation between perceived value and satisfaction with loyalty may not be straightforward. Some customer characteristics, such as age, expense and education may interfere to weaken or strengthen the relations (Qayyum, Khang and Krairit, 2013). Even though there are abundance of research which examine the mediators on the relation between satisfaction and loyalty, few has examined the mediators on perceived value – loyalty link (Dolarslan, 2014; Qayyum, Khang and Krairit, 2013).

Indonesia Railway Company (railway administrator) faces the challenge of improving the values delivered to the passengers in competing with other modes of transportation, such as buses and

airplanes. In 2002, as a result of deregulation in airline industry, low cost airlines emerge in Indonesia. As people prefer the faster way of transport provided by airlines, there has been a decrease in executive train passengers by 40% since 2002. In 2010, one train route between Jakarta and Bandung was also forced to be closed as a result of diminishing passengers after the opening of a new toll road, Cipularang. The toll road provides other modes of travel by using bus or car which shortens the travel time (OECD, 2013). Anyhow, despite of the competition from other modes of transportation, the number of train passengers is still increasing in the recent years. The total number of train passengers in Indonesia has increased from 198 million in 2011 to 296 million in 2015 (Biro PusatStatistik, 2018). The current research will focus on executive train service, as it is in more direct competition with other mode of transportation, especially airplane, which charge similar fare but provide faster service. This research will focus on finding the influence of customer perceived value and customer satisfaction on customer loyalty moderated by age, expense and education.

2 LITERATURE REVIEW

The research on Customer Relationship Management (CRM) has received numerous attention (Webster, 1992; Jones et al., 2015; O'Malley and Prothero, 2004; Wang et al., 2004). The end result of CRM is no other than customer loyalty, which manifests in different ways. Every industry or business wants to retain its customers. Only by first retaining its current customer base or purchase (relationship length), a business can have a good foundation to further develop its revenue through more purchase of the same product (relationship depth), cross purchase (relationship breadth), and new customers (Blattberg, Getz and Thomas, 2001; Wang et al., 2004).In this way, CRM results in better revenue through multiple sources, which are relationship length, depth, breadth, and new customers.

The study of CRM would not bring much benefit, if it does not deal with the antecedents of relationship outcomes or loyalty. The current study proposes customer perceived value and customer satisfaction as the antecedents of customer loyalty.

2.1 Customer Perceived Value

Customer perceived value is a very important concept in marketing (Wang et al., 2014), other than satisfaction. However, the understanding of this concept is not well known, especially by marketing practitioners. Zeithaml (1988) defined customer perceived value as the overall value of a product utility based on the difference between what is received and what is given.

Other researchers view customer perceived value as a multi-dimensional concept. For example, Sheth, Newman and Gross(1991) introduce 5 dimensions ofperceived value, which are functional, social, emotional, epistemic, and conditional. Yang et al. (2014) then developed similar dimension for tourism industry, which are quality, functional/ price, emotional, and experiential values. However, this research will refer to Sweeney andSoutar (2001) and dividesperceived value into quality/ performance, price, emotional and social dimensions.

2.2 Customer Satisfaction

Customer satisfaction is a condition felt by a consumer after consuming a product or service. Customer satisfaction is developed by comparing expectation before consumption with perception after consumption (Oliver, 1999). If perception after consumption exceeds expectation, then there is satisfaction. In contrast, if perception is lower than expectation, then there is dissatisfaction. Satisfaction is not always a cognitive value, but it also includes affective values. It is known as an affective evaluative response (Oliver, 1992; Patterson and Spreng, 1997).Satisfaction will lead customers to come back, which will lead to loyalty (Lim et al., 2016). Rahman et al. (2015), in their research about apartments, argue that the key factor that can affect customer's buying decision is loyalty.

Strandvikand Liljander (1994) argue that perceived value has an influence on satisfaction. Others argue that customer perceived value presents enhancement in customer satisfaction (Fornell et al., 1996; Bojanic, 1996).The research done by Wang et al. (2014) and Yang et al. (2014) confirmed the positive impact of perceived value on satisfaction. Thus, the following hypothesis is proposed:

H1: Customer perceived value has an influenceoncustomersatisfaction

2.3 Customer Loyalty

Loyalty is a commitment that a customer wants to consume a product again in the future (Oliver, 1999). To be complete, loyalty needs to include attitude and behavior (Jacoby and Chesnut, 1978). Oliver (1999) argues that loyalty is shown when the consumer is confronted by persuasion from competing products. Loyal consumers are those who are not persuaded by competitors' products. A consumer's loyalty is also shown through word of mouth and willingness to pay more (Dolarslan, 2014).

Loyaltyis the effect felt by consumers after satisfaction. If a consumer feels high satisfaction, then they are likely to have a commitment to consume the product again (Anderson and Sullivan, 1993; Wang et al., 2004); to have more usage of a service (Bolton and Lemon, 1999); and to engage in positive word of mouth (Brown et al., 2005; Gallarza and Gil-Saura, 2006).

H2: Customer satisfactionhas an influence on customer loyalty

Loyalty is the effect felt by consumers after satisfaction. If a consumer feels high satisfaction, then they are likely to have a commitment to consume the product again (Anderson and Sullivan, 1993).The concept of satisfaction is closely related to the concept of perceived value. They are different, but these concepts complete one another (Eggert and Ulaga, 2002). Thus, similar to satisfaction, perceived value can also affect loyalty. Sirdeshmukh, Singh and Sabol (2002) argue that superior value affect customer loyalty. Research done byMcDougall and Levesque (2000) has shown the impact of perceived value on loyalty.

H3: Customer perceived value has an influence on customer loyalty

A research by Eggert and Ulaga (2002) found that customer satisfaction is a better predictor of loyalty than customer perceived value. They indicate that the mediation of satisfaction provides a better prediction than the direct influence of customer perceived value on loyalty. Lam et al. (2004) also found the mediation of customer satisfaction on customer loyalty. Wang et al. (2004) found full mediation of customer satisfaction on the relationship between customer perceived value and customer loyalty.

H4: Customer perceived value has an influence on customer loyaltywith the mediation of customer satisfaction.

Agreeing with the concept that consumers are the co-creator of value (VargoandLusch, 2008), Dolarslan (2014) argues that a consumer's characteristics can affect value. Mittal and Kamakura (2001) have confirmed the moderation of various demographics characteristics on the relation between satisfaction and repurchase behaviour. Thus, a person's age, expense and education can affect (moderate) consumer loyalty.

H5: The influence of customer perceived value on customer loyalty are moderated by a) age, b) expense, c) education.

H6: The influence of customer satisfaction on customer loyalty are moderated by a) age, b) expense, c) education.
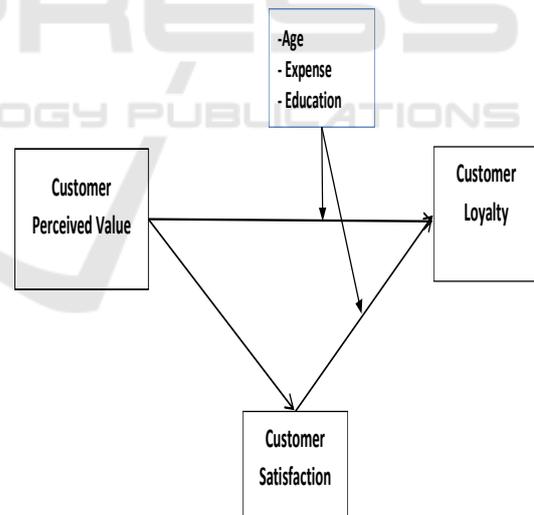

Figure 1: Research Model

3 RESEARCH METHOD

This research observed the consumer loyalty of executive train consumers in Java Island. The population is executive train users in Java Island. Samples are obtained from Gambir Train Station, Jakarta, Indonesia. Respondents are chosen using systematic random sampling. Samples are observed for every 2nd passenger found at Gambir Train Station, Jakarta, Indonesia. The total number of respondents observed are 474 respondents. Consumers of executive train were chosen because they can readily change their consumption to other modes of transportation, such as airplane, due to price similarity.

The measures in this study are derived from multiple authors. Customer perceived value has 15 items derived from Sweeney and Soutar (2001) and Ruiz-Molina and Gil-Saura (2008). Customer satisfaction has 3 items derived fromGallarza and Gil-Saura (2006). Customer loyalty has 4 items derived from Yang and Paterson (2004). All variables were measured on semantic differential scale ranging from 1 to 10 denoting their level of agreement. The scale items are presented in the Appendix.

4 RESULTS AND DISCUSSIONS

We did validity and reliability tests on the indicators. Based on the research model, we use SPSS. The results are in the following table:

Table 1: Reliability and validity tests.

Variable	Cronbach α	p
Customer perceived value	0.820	0.00
Customer satisfaction	0.853	0.00
Customer loyalty	0.926	0.00

Table 1 shows the results of reliability and validity tests. Cronbach's alpha shows that the variables are reliable, as their values are 0.60 or higher. Similarly, the correlation values show that the variables are valid. Since the variables are reliable and valid, they are used for this research.

We observed 474 samples. We can see the respondent characteristics in table 2 below. The following are the respondent characteristics:

Table 2: Respondents' characteristics.

No.	Details	No. of resp	%
1.	Gender:		
	Male	282	59.5
	Female	192	40.5
2.	Age:		
	18 – 22 years	87	18.4
	23 – 27 years	93	19.6
	28 – 33 years	71	15.0
	34 – 38 years	54	11.4
	39 – 43 years	46	9.7
	44 – 48 years	40	8.4
	49 – 53 years	40	8.4
	54 – 58 years	27	5.7
	59 – 63 years	16	3.4
3.	Education:		
	Elementary	2	0.4
	Junior High	10	2.1
	High School	112	23.6
	Diploma	58	12.2
	Bachelor	220	46.4
	Master	63	13.3
	Doctoral	9	1.9
4.	Expense (in millions Rps):		
	< 1,5	69	14.6
	1,5 – 2,5	92	19.4
	2,5 – 3,5	69	14.6
	3,5 – 4,5	64	13.5
	4,5 – 5,5	51	10.8
	5,5 – 6,5	26	5.5
	6,5 – 7,5	20	4.2
	> 7,5	83	17.5
5.	Frequency:		
	1 time	89	18.8
	2 times	79	16.7
	3 times	60	12.7
	4 times	44	9.3
	>4 times	202	42.6
	Total	474	100

Table 3 shows that most executive train passengers are male, and the highest proportion are 23-27 years old, bachelor graduate, spend Rp. 1,500,001 –2,500,000 (Rupiah) per month and have used executive trains more than 4 times.

To test the hypotheses, we use SPSS macro: *Introduction to mediation, moderation, and conditional process analysis*from Hayes (2013).

The results of hypothesis 1 test show that R^2 is 0.61, which means that 61% of the variation in customer satisfaction is explained by the variation in

customer perceived value, and the rest 39% is explained by unobserved variables. The result also shows that p-value is 0, which means the variable is statistically significant with t statistics equals to 27.25.

Test results using SPSS macro is shown below:

Table 3: The influence of CPV on CS

Outcome: CS

Model Summary						
R	R-sq	MSE	F	df1	df2	p
.782	.611	11.96	742.52	1.00	472	.000

Model						
	coeff	se	t	p	LLCI	ULCI
Constant	1.3611	.7698	1.77	.078	-.15	2.87
CPV	.187	.0069	27.3	.000	.17	.20

The values of LLCI and ULCI for Customer Perceived Value (CPV) indicate that both are positive. There is no zero in between the two values, which means a significant relation. Therefore, we can see that customer perceived value has a significant influence on customer satisfaction. This means the result confirms hypothesis 1, there is an influence of customer perceived value on consumer satisfaction.

Hypothesis 2, 3 and 4 are tested using Model 4 of SPSS macro:

Table 4: The direct and indirect influence of CPV on CL

Outcome: CL

Model Summary						
R	R-sq	MSE	F	df1	df2	p
.843	.71	15.30	576.29	2.00	471	.000

Model						
	coeff	se	t	p	LLCI	ULCI
Constant	2.878	.874	3.29	.001	1.16	4.6
CS	.7	.052	13.39	.000	.595	.8
CPV	.11	.013	8.97	.000	.087	.137

Direct effect of X on Y					
Effect	SE	t	p	LLCI	ULCI
.1119	.0125	8.9749	.0000	.0874	.1365
Indirect effect of X on Y					
	Effect	Boot SE	Boot LLCI	Boot ULCI	
CS	.1306	.0152	.1011	.1599	
Normal theory tests for indirect effect					
Effect	se	Z	p		
.1306	.0109	12.0138	.0000		

The result shows R^2 equals to 0.71, which means 71% of the variation in customer loyalty is explained by the variation in customer perceived value and customer satisfaction. P-value is 0 shows that the variables are significant in influencing customer loyalty. The t statistics of customer satisfaction and perceived values are 13.4 and 8.97, respectively, are above 1.96. The p-value for both are also below α = 5%. Therefore, there is an influence of customer satisfaction on customer loyalty, and there is an influence of perceived value on customer loyalty. Therefore, hypothesis 2 and 3 are accepted.

For the indirect effect, the results indicate that the influence coefficient is 0.13, with the value ULCI and LLCI do not have zero value in between. Therefore, there is an influence of customer perceived value on loyalty with the mediation of customer satisfaction. This result supports the studies of Oliver (1999), Jacoby and Chesnut(1978), Dolarslan (2014), Anderson and Sullivan (1993), McDougall and Levesque (2000). This confirms the theory that customer satisfaction developed from customer perceivedvalue have an influence on customer loyalty.

To test hypothesis 5 and 6, model 15 SPSS macrowithmediation and moderationvariables was employed. For hypothesis 5 and 6 tests, we divide them into three parts which are: the influence of (5a) customer perceived value and (6a) customer satisfaction on customer loyalty moderated by age; the influence of (5b) customer perceived value and (6b) customer satisfaction on customer loyalty moderated by expense; the influence of (5c) customer perceived value and (6c) customer satisfaction on customer loyalty moderated by education.

The result of hypothesis 5a and 6a tests are shown below:

Table 5: The influence of CPV and CS on CL moderated by age

Outcome: CL

Model Summary						
R	R-sq	MSE	F	df1	df2	p
.843	.71	15.30	231.14	5.00	468	.000
Model						
	coeff	se	t	p	LLCI	ULCI
Constant	1.205	2.125	.567	.571	-2.97	5.4
CS	.52	.13	3.93	.000	.258	.77
CPV	.16	.032	5.08	.000	.100	.226
Age	1.09	1.28	.85	.4	-1.44	3.6
Int_1	.123	.081	1.51	.131	-.036	.283
Int_2	-.034	.0198	-1.73	.085	-.073	.004
Product terms key:						

int_1	CS	X	age
int_2	CPV	X	age

The results above indicate that age does not weaken or strengthen the influence of customer perceived value on customer loyalty, and customer satisfaction on customer loyalty. This is shown by p-value above 0.05 on interaction 1 and 2. The value of LLCI and ULCI going through zero point for both interactions. Therefore, the moderations have brought insignificant outcomes. In conclusion, hypothesis 5a and 6a are rejected.

The results of hypothesis 5b and 6b tests are as follows:

Table 6: The influence of CPV and CS on CL moderated by expense

Outcome: CL

Model Summary						
R	R-sq	MSE	F	df1	df2	p
.8445	.71	15.22	232.78	5.00	468	.000

Model						
	coeff	se	t	p	LLCI	ULCI
Constant	.556	2.124	.2617	.794	-3.62	4.73
CS	.92	.123	7.47	.000	6.783	1.16
CPV	.09	.03	3.056	.002	.032	.148
Expe	1.42	1.21	1.17	.24	-.96	3.60
Int_1	-.13	.068	-1.94	.153	-.266	.002
Int_2	.013	.0168	.755	.451	-.020	.046
Product terms key:						
int_1 CS X expense						
int_2 CPV X expense						

The results above indicate that expense does not weaken or strengthen the influence of customer satisfaction on customer loyalty and customer perceived value on customer loyalty. This is shown by p-value above 0.05 on interaction 1 and 2. The value of LLCI and ULCI through zero point for both interactions. This indicates that hypothesis 5b and 6b are rejected.

The results of hypothesis 5c and 6c tests are as follows:

Table 6: The influence of CPV and CS on CL moderated by education

Outcome: CL

Model Summary						
R	R-sq	MSE	F	df1	df2	p
.8446	.71	15.22	232.94	5.00	468	.000

Model						
	coeff	se	t	p	LLCI	ULCI
Constant	2.84	2.5	1.136	.257	-2.07	7.75
CS	.968	.146	6.612	.000	.680	1.255
CPV	.053	.036	1.472	.142	-.018	.124
educ	-.061	1.204	-.051	.959	-2.43	2.31
Int_1	-.155	.076	-2.04	.042	-.304	-.006
Int_2	.0344	.0189	1.825	.069	-.003	.072
Product terms key:						
int_1 CS X education						
int_2 CPV X education						

The results of hypothesis 6c test indicate that on interaction 1, education moderated the influence of customer satisfaction on customer loyalty has shown significant result, which means, education does weaken or strengthen the influence. It is shown by p-value below 0.05 and LLCI and ULCI do not go through the zero point. For interaction 2, education does not weaken or strengthen the influence of customer perceived value on customer loyalty. This is shown by p-value above 0.05 on interaction 1 and 2. The values of LLCI and ULCI go through zero point.

In overall, the test for hypothesis 5 and 6 indicate that in hypothesis 5a, 6a, 5b, 6b and 5c the moderation variables do not weaken or strengthen the influence of customer perceived value on loyalty through the mediation of customer satisfaction. If not using moderation, customer perceived value has an influence on customer loyalty through customer satisfaction. Therefore, the important variable here is the mediator. Customer satisfaction is formed because perceived value was positively responded by customer which creates loyalty in using train transportation. Age and expense are not important here.

In contrast, hypothesis 6c indicates that education does weaken or strengthen the influence of customer satisfaction on customer loyalty. Education weaken the influence of customer satisfaction on customer loyalty with a coefficient of -0.15. It means, the train service provider needs to pay attention to customer satisfaction moderated by education.

Education has a negative effect on the influence of customer satisfaction on loyalty, which means a highly educated person has a higher standard for satisfaction, while a lower educated person is more easily satisfied. Thus, it is more difficult to create satisfaction for the highly educated customers and hence harder to develop their loyalty. Dolarslan (2014) also found that more educated customers are

less likely to show loyalty behaviours. Moreover, Mittal and Kamakura (2001) found that more educated customers tend to be less loyal.

5 CONCLUSIONS

The results show that customer perceived value have an impact on customer satisfaction and customer loyalty. Customer perceived value have both direct and indirect effects on loyalty. Customer satisfaction also has an impact on loyalty. The current research contributed to the findings that the mediation of satisfaction amplifies the effect of perceived value on loyalty (Dolarslan, 2014; Lam et al., 2004; Eggert and Ulaga, 2002).

As for the relationship between customer satisfaction and loyalty, the results show that one moderation variable can significantly affect the relationship, which is education. Education negatively moderate the impact of customer satisfaction on loyalty.

As for the managerial implications in the area of public transportation, service provider needs to pay attention on customer satisfaction, because it can help develop loyalty. Highly educated customers are harder to satisfy; thus service provider must observe customers' education to find out the customers who are more likely to complain. Customers with high education are more likely to complain, to this extent service provider should provide better service to increase their satisfaction, hence their loyalty. Recent initiative by Indonesia Train Company to offer priority class service (higher than executive) to some routes is an excellent strategy as it can provide higher satisfaction for the more affluent and educated customers.

Efforts to increase customer perceived value can increase customer loyalty. Service provider should increase performance, emotion and social values of their services. For example, service provider can increase their number of toilets provided and maintain their cleanliness, and become a sponsor for high-class sport and art events to increase their performance and social values.

The object studied focus specifically on the executive train to this extent the coverage is limited. The variables studied focused on customer perceived value, customer satisfaction and customer loyalty with the mediation of age, expense and education. Because the object is public transport, it is likely that when the consumers want to use it, they may not focus only on executive train. They may choose other trains which are available. This may become

the reason why the moderators of age and expense cannot reinforce customer perceived value, customer satisfaction and customer loyalty. Future research may introduce other moderators to the model.

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CL2	I said positive things about the executive class train of KAI Ltd. to others
CL3	I would recommend the executive class train of KAI Ltd. to the people asking for my advice
CL4	I would encourage friends and family to use the executive class train KAI Ltd.

APPENDIX

Measurement scale items:

Item	Description
Perceived value:	
PV1	Executive class train service of KAI Ltd. has consistent quality
PV2	Executive class train service of KAI Ltd. has acceptable quality standards
PV3	Employees of KAI Ltd. executive train show consistent performance
PV4	Executive class train service of KAI Ltd. is well coordinated
PV5	I enjoy using the executive class train of KAI Ltd.
PV6	Using an executive class train of KAI Ltd. makes me feel good
PV7	Using an executive class train of KAI Ltd. gives me a feeling of pleasure
PV8	Using an executive class train PT. KAI made me feel relaxed
PV9	Executive class train of KAI Ltd. is reasonably prices
PV10	Services provided by executive class train of KAI Ltd. is good for the price charged
PV11	Executive train KAI offers value for money
PV12	Using an executive class train of KAI Ltd. would make me feel more accepted by others
PV13	Using an executive class train of KAI Ltd. would increase people's perception of me
PV14	Using an executive class train of KAI Ltd. would make a good impression on others
PV15	Using an executive class train of KAI Ltd. would give me social recognition
Customer Satisfaction	
CS1	My choice to use the executive class train of KAI Ltd. is a wise one
CS2	I did the right thing when choosing the executive class train of KAI Ltd.
CS3	Services provided by executive class of KAI Ltd. suits my needs
Customer Loyalty	
CL1	I want to continue to use the executive class train of KAI Ltd.